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MAY 18 1995

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May 18, 1995

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VIA HAND DELIVERY

Mr. William A. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

Re: CC Docket No. 92-77 Billed Party Preference
for 0+ InterLATA Calls

NOTICE OF EX PARTE PRESENTATION

Dear Mr. Caton:

On May 17, 1995, undersigned counsel for Digital Network Services, Inc., Genevieve Morelli, Vice President and General Counsel, Competitive Telecommunications Association, and Mr. Eric Brown, President, Digital Network Services, Inc. met with Mary Beth Richards, Deputy Chief, Common Carrier Bureau, and with Robert Spangler, Deputy Chief, Enforcement Division, Common Carrier Bureau. The purpose of the meeting was to discuss Digital Network Services, Inc.'s views on the rate ceiling proposal that has been submitted by a coalition of parties in the above-captioned proceeding. The views expressed during this meeting were consistent with those contained in the reply comments of Digital Network Services, Inc., filed in this proceeding on April 27, 1995. A summary of those views was provided to the Commission staff members in attendance. A copy of that summary is submitted herewith.


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Mr. William Caton
May 18, 1995
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If there are any questions, please communicate directly with undersigned counsel for Digital Network Services, Inc.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. F. Brecher', with a long horizontal flourish extending to the right.

Mitchell F. Brecher
Counsel for Digital Network Services, Inc.

Enclosure

cc: Ms. Mary Beth Richards
Mr. Robert Spangler
Genevieve Morelli, Esq.
Mr. Eric Brown

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MAY 18 1995

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

**PRESENTATION OF
DIGITAL NETWORK SERVICES, INC.
TO THE COMMON CARRIER BUREAU
ON THE COMPTEL RATE CEILING PROPOSAL
SUBMITTED IN CC DOCKET NO. 92-77
MAY 17, 1995**

Digital Network Services, Inc. is an interexchange carrier (IXC) headquartered at DeSoto, Texas. It offers a variety of services, including operator-assisted calling services. Unlike many operator service providers (OSPs), DNSI does not market its services through third party agents or aggregators. Rather, its primary source of operator-assisted calls is through the 0- Transfer service provided by local exchange carriers. 0- Transfer imposes unique additional costs on IXCs which must be allowed to be recovered in any rate ceiling proposal adopted by the Commission.

1. What is 0- Transfer?

0- Transfer is a service offered by most of the LECs which do not provide interexchange services themselves (i.e., the BOCs and the GTE companies). When a caller dials the digit "0" and nothing else (a 0- call), the call is answered by a LEC operator. If the caller wishes to place an interLATA call, the LEC operator will transfer the call to the IXC preferred by the caller, provided that the IXC selected by the caller participates in the LEC's 0- Transfer service. If the caller expresses no IXC preference (and many callers do not), the LEC operator will offer to transfer the call to an IXC randomly chosen from among a list of IXCs participating in 0- Transfer.

2. Who Uses 0- Transfer Service?

Many callers. However, 0- Transfer is widely used by callers who do not have a preferred IXC, their own telephone accounts or calling cards, and who have relatively little familiarity with the telephone system. Often, users of 0- Transfer are lower income persons or immigrants. Many 0- Transfer callers are non-English speaking. This is especially so in the southwestern United States where DNSI and other companies like DNSI operate.

3. Does 0- Transfer impose additional costs on the IXC?

Yes. IXCs using 0- Transfer service are assessed a tariffed per call transfer fee by the LEC. Usually this fee is in the \$.30 to \$.35 range per call transferred. The fee is imposed irrespective whether the transfer results in a completed, revenue-producing call. Less than one-half of the 0- calls transferred result in completed calls.

In addition, 0- Transfer imposes other costs on IXCs:

-- LECs require IXCs to maintain separate trunk groups from each IXC point of presence to each LEC operator tandem switch. These trunks are subject to installation and recurring charges imposed by the LECs, irrespective of usage levels.

--Costs of additional operator time incurred by IXC. Each DNSI 0- Transfer call requires approximately one minute of operator time -- considerably more than the average operator for 0+ calls.

DNSI estimates that the additional cost to it for handling 0- Transfer calls is \$2.55 per call and \$.129 per minute. These costs can be documented upon request.

4. Why is the completion rate for 0- Transfer calls so low?

Since most 0- Transfer callers do not have telephone accounts or calling cards, the majority of 0- Transfer calls are collect calls, with most of the non-collect calls being third number-billed calls. Those calls cannot be completed unless the calling party accepts the charges, and/or unless the billed number is validated as being an active account which is billable.

5. Are the additional 0- Transfer costs attributable to third party payments?

No. DNSI does not pay commissions, nor does it collect surcharges or property owner-imposed fees. Thus, its rates do not include any third party payment elements. All of the additional costs incurred by DNSI in completing 0- Transfer calls are LEC-imposed costs and its own additional labor and network costs.

6. Does 0- Transfer service serve the public interest?

Yes. 0- Transfer is the means for placing long distance calls for many consumers who are unsophisticated in the workings of telephone networks, who have no relationships of their own with either LECs or IXCs, but who occasionally need to complete phone calls. Because the callers are so often non-English speaking, companies like DNSI must be prepared to accommodate the special needs of those callers. Those needs include the ability to communicate in the caller's native language, and to assist the caller in using the telephone network to complete a call. 0- Transfer is an invaluable long distance calling service for many consumers.

CONCLUSION

The Commission should recognize that services like 0- Transfer service impose additional costs on IXCs. Therefore, any rate ceiling for operator-assisted calling rates should contain sufficient flexibility to enable providers of 0- Transfer-based calling services to recover those additional costs in their rates.

To obtain further information about this presentation or about 0- Transfer service, please

contact undersigned counsel for Digital Network Services, Inc.

Respectfully submitted,

DIGITAL NETWORK SERVICES, INC.

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